

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 TAR-01 L-02 /058 W

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R 071857Z MAY 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8834

INFO ALL EC CAPITALS 643

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E.O. 11652: N/A

TAGS: EGEN, EEC

SUBJECT: COGNAC AND THE CHICKEN WAR

1. BEGIN SUMMARY: A GROUP REPRESENTING US COGNAC IMPORTERS AND FRENCH PRODUCERS HAS HELD TALKS AT THE EC COMMISSION RE POSSIBILITIES OF "UNDOING THE CHICKEN WAR." THEY ALSO REVIEWED THE SITUATION WITH MISSION OFFICERS. WE REVIEWED HISTORY AND PRESENT SITUATION FACTUALLY, MAKING CLEAR THAT USEC HAS NO INSTRUCTIONS TO LINK CURRENT US REPRESENTATIONS ON POULTRY WITH COGNAC QUESTION. WE UNDERSTAND THAT SOME OR ALL OF THE GROUP MAY BE APPROACHING US AGENCIES FOLLOWING THEIR EUROPEAN TALKS. END SUMMARY.

2. ON MAY 6 AND 7 THE MISSION RECEIVED A VISIT FROM TEN REPRESENTATIVES OF AMERICAN IMPORTERS AND FRENCH PRODUCERS OF CONGAC, HEADED BY JOHN F. O'CONNELL OF THE NATIONAL ASSOCIATION OF ALCOHOLIC BEVERAGE IMPORTERS, INC. AND INCLUDING WILLIAM J. SCHIEFFELIN OF SCHIEFFELIN & CO., J.D. N. FORD OF HIRAM WALKER, JOHN S. MOREMEN OF BROWN-FORMAN DISTILLERS CORPORATION, AS WELL AS FRENCH REPRESENTATIVES OF HENNESSY AND MARTEL.

3. THE GROUP ALSO HELD MEETINGS WITH RABOT OF THE EC COMMISSION AND OTHER COMMISSION OFFICIALS. THEIR GOAL IS TO REVERSE THE "CHICKEN WAR" ACTIONS SO THAT THE US DUTIES ON COGNAC WILL DROP TO THE TRADE AGREEMENT RATE. THEY ARE ALSO

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CONCERNED ABOUT RECENT US CUSTOMS DECISIONS ON DUTY VALUATION

AND THE PROSPECT THAT THE PRICE BREAK FOR COGNAC MAY BE REDUCED. IN OUR FIRST MEETING WITH THE GROUP ON MAY 6 WE EXPLAINED THAT THE 1974 INCREASE IN THE PRICE BREAK WAS ESTABLISHED BY THE US GOVERNMENT AS A FIRST STEP IN THE HOPE THAT THE COMMUNITY WOULD MATCH OUR STEP BY TAKING POSITIVE ACTION ON POULTRY. SO FAR, THE COMMUNITY HAS NOT DONE THIS AND, IN FACT, THE SITUATION HAS DETERIORATED BECAUSE OF ALMOST STEADY INCREASES IN THE GATE PRICE AND SUPPLEMENTARY LEVIES. WE HAVE RESPONDED TO THESE EC ACTIONS WITH A SERIES OF REQUESTS FOR SPECIFIC IMPROVMENTS IN THE SITUATION. WE EXPLAINED, HOWEVER, THAT OUR MOST RECENT APPROACHES ON POULTRY HAVE BEEN MADE ON THEIR MERITS AND HAVE NOT CARRIED THE IMPLICATION THAT THE US WOULD TAKE FURTHER ACTION ON COGNAC. WE DID NOT KNOW WHETHER ANY FURTHER WASHINGTON CONSIDERATION HAD BEEN GIVEN TO SUCH A LINK SUBSEQUENT TO THE EXCHANGES LAST SUMMER. WE CERTAINLY HAD NO IDEA OF WHAT WASHINGTON WOULD PRESENTLY CONSIDER TO BE ACCEPTABLE EC ACTION SUFFICIENT TO JUSTIFY A ROLL-BACK IN THE COGNAC DUTIES.

4. ON MAY 7 SEVERAL MEMBERS OF THE DELEGATION RETURNED TO REPORT THEIR CONVERSATIONS WITH THE COMMISSION. THEY REPORTED THAT RABOT HAD SAID THAT THE COMMISSION WAS WELL AWARE THAT IT HAD NOT RESPONDED TO THE MOST RECENT US REQUESTS ON POULTRY. HE SAID THAT HE DID NOT AS A PRACTICAL MATTER CONSIDER THAT THE 1974 US ACTION ON COGNAC HAD AMOUNTED TO A FIRST STEP IN REVERSING THE CHICKEN WAR ACTIONS SINCE IT HAD BEEN TAKEN IN PARALLEL WITH THE GATT ARTICLE XXIV:6 NEGOTIATION. HOWEVER, SHOULD THE US HOLD OUT THE POSSIBILITY OF SIGNIFICANT NEW ACTION ON COGNAC, THE COMMISSION WOULD GIVE MORE SERIOUS CONSIDERATION TO OUR POULTRY REQUESTS.

5. WE INFORMED THE VISITING GROUP THAT WE WOULD REPORT ITS DISCUSSIONS WITH US, BUT THAT IN THE ABSENCE OF AN INSTRUCTION FROM WASHINGTON WE DID NOT FEEL AUTHORIZED TO MAKE ANY KIND OF LINK BETWEEN THE COGNAC QUESTION AND OUR CURRENT REPRESENTATIONS TO THE COMMISSION ON POULTRY.  
MYERSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WINES, IMPORTERS, TRADE AGREEMENTS, NEGOTIATIONS, MEETING DELEGATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ECBRU04104  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750161-0048  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750570/aaaacmcj.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by Izenbel0>; APPROVED <16 APR 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COGNAC AND THE CHICKEN WAR  
**TAGS:** EGEN, EEC, (OCONNELL, JOHN F)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006